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TAGS: [ECON](#) [ETRD](#) [WTO](#)

SUBJECT: IRISH RESPONSE TO WTO SERVICE DEMARCHE

REF: A. STATE 81619

[1](#)B. WILSON-EU TRADE OFFICERS E-MAIL OF MAY 10 AND
PREVIOUS

Classified By: Political-Economic Counselor Mary E. Daly; Reasons 1.4 (B) and (D).

[1](#)1. (C) Summary: On May 16, Post delivered ref A demarche to Frank Doheny, Deputy Principal Officer in the Department of Enterprise, Trade, and Employment. Doheny noted that Member States would likely approve the revised EU services offer the week of May 23. The offer would seek to cover the 10 new Member States, clarify modalities for Mode 4, and add elements focusing on the energy and "well-being" services sectors. As a robust economy facing near full employment, Ireland favors a liberal approach to Mode 4. Ireland's strongest interests in the EU's revised offer center on financial, telecommunication, and computer-related services. End summary.

The Revised EU Offer

[1](#)2. (C) The EU's revised WTO services offer, now under review by Member States, featured updates on three "prongs," said Doheny. First, the revised offer sought to extend the commitments of the original EU-15 to the 10 new Member States (per ref B). Second, the offer would include clarifications of modalities for Mode 4, relating to economic needs tests (ENTs), numerical ceilings, etc. The second prong, said Doheny, remained the most nettlesome, given significant differences in Member States' positions. Third, the revised offer would add two elements to the EU's initial offer, one focusing on energy and the other on "well-being" (a broad sector covering hairdressing, spas, and services with a "curative" dimension). Doheny said that Ireland did not have many difficulties with the current draft of the revised EU offer, which built on what the GOI regarded as a strong initial offer. He added that Member States were aiming to approve the revised offer either at the May 25 133 Committee meeting or at the May 27 Deputies Meeting.

Ireland and Mode 4

[1](#)3. (C) Ireland favored a liberal approach to Mode 4, explained Doheny. With strong economic growth (5 percent in 2004), robust employment creation (57,000 new jobs in 2004), and an economy at near full employment (4.2 percent unemployment currently), Ireland needed an influx of labor, particularly in the services sector, to sustain economic momentum. The GOI thus supported high numerical ceilings under Mode 4 and, to the extent possible, the lifting of ENTs. The GOI acknowledged, however, that unemployment problems and slow economic growth in other Member States precluded them from taking a similarly liberal approach. Doheny mentioned that the Commission had hired Ireland's Economic and Social Research Institute (ESRI) to provide the Member States a confidential analysis of Mode 4. He added that EU Trade Commissioner Mandelson had made clear to Member States that finalization on Mode 4 would depend on the U.S. approach to the issue in its revised services offer. Per ref B, Emboff cautioned that there were no imminent improvements on Mode 4 as part of the U.S. revised offer.

Sectors of Interest

[1](#)4. (C) Regarding the sectors highlighted in ref A talking points, Ireland's strongest interests were in financial, telecommunication, and computer-related services, according to Doheny. He noted that financial services were an increasingly critical component of the Irish economy (now receiving roughly one-third of total FDI), and he cited the GOI's hope that the U.S. revised offer would rise to the level of openness in the EU's offer for this sector. The GOI likewise favored the removal of restrictions on telecommunications, as Ireland aspired to become a digital hub. Doheny said that the EU offer featured a wider classification for "basic" telecoms, allowing for a greater level of opening than in the initial U.S. offer. Ireland, as the world's leading software exporter, had a particularly strong interest in the software component of computer-related

services. Doheny pointed out that the EU had not made offers on audiovisual and public (health and social) services and that the GOI favored that approach. On environmental services, Ireland would likely defer to the more developed positions put forward by Germany and Sweden.

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